

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-07 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
FEAE-00 OMB-01 /089 W
-----087774 071821Z /46

R 071245Z JUL 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 2618
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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E.O. 11652: N/A
TAGS: EFIN ETRD BR
SUBJECT: FIRST QUARTER TRADE DATA

REF: STATE 141390

EMBASSY BELIEVES THAT NUMBER OF FACTORS ARE RESPONSIBLE
FOR THE TURNAROUND IN THE US-BRAZIL BILATERAL TRADE BALANCE
NATED IN REFTEL:

1. THE DROP IN US EXPORTS TO BRAZIL IS ATTRIBUTABLE
TO:

A. THE IMPOSITION OF VERY SEVERE IMPORT CONTROLS
BY BRAZIL IN AN EFFORT TO REDUCE ITS SIZEABLE CURRENT
ACCOUNT DEFICIT. THIS HAS RESULTED IN THE LOSS OF AN
IMPORTANT PORTION OF THE BRAZILIAN MARKET, PARTICULARLY
FOR FINISHED PRODUCTS (SUCH AS AIRCRAFT) AND SME
AGRICULTURAL PRODUCTS (SUCH AS FRESH AND DRIED FRUITS);

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B. THE GOVERNMENT'S IMPORT DIVERSIFICATION
STRATEGY, A STRATEGY BASED PARTLY ON ECONOMIC
GROUNDS, SUCH AS THE DESIRE OF THE GOB TO REDUCE
ITS TRADE DEFICIT WITH THE US, AND PARTLY ON
POLITICAL GROUNDS, SUCH AS "STEERING" IMPORTS AWAY
FROM THE US IN RETALIATION FOR US ECONOMIC
(TRADE RESTRICTIONS) AND POLITICAL (NUCLEAR, HUMAN

RIGHTS) ACTIONS. OUR EXPORT MOST SERIOUSLY
AFFECTED BY THIS STRATEGY HAS BEEN WHEAT, WHICH
DROPPED FROM \$85.6 MILLIONS IN THE FIRST QUARTER
OF 1976 TO ZERO DURING THE SAME PERIOD OF 1977;

C. THE GOB'S AMBITIOUS IMPORT SUBSTITUTIONS
PROGRAM WHICH HAS BEEN DISPLACING AN INCREASING
NUMBER OF US PRODUCTS, PRIMARILY IN THE CAPITAL GOODS FIELD;

D. THE APPARENT LACK OF INTEREST BY US
INVESTORS IN MEETING THE INCREASINGLY HIGH LOCAL
CONTENT REQUIREMENT IMPOSED BY THE GOB ON LARGE
TICKET ITEMS, SUCH AS HYDROELECTRIC AND STEEL
PLANT EQUIPMENT. FOR EXAMPLE, US BIDDERS HAVE
DONE EXTREMELY BADLY IN THE BIDDING ON STAGE III
OF THE STEEL EXPANSION PROGRAM MAINLY BECAUSE OUR
JAPANESE AND EUROPEAN COMPETITORS HAVE COME IN
WITH A HIGHER LOCAL CONTENT, WHICH IS GIVEN A
PREMIUM IN THE EVALUATION OF FOREIGN BIDS.

2. THE INCREASE IN US IMPORT FROM BRAIL CAN BE
ATTRIBUTED TO:

A. INCREASED COFFEE PRICES, AND
B. THE PICK UP IN US ECONOMIC ACTIVITY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE BALANCE, TRADE DATA, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRASIL05588
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770241-0941
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770784/aaaacvgs.tel
Line Count: 94
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c671a66f-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 141390
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1943300
Secure: OPEN
Status: NATIVE
Subject: FIRST QUARTER TRADE DATA
TAGS: EFIN, ETRD, BR, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c671a66f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009